WEEKLY ECONOMIC REVIEW

JANUARY 14, 2005

The U.S. merchandise trade deficit rose sharply (+7.7%) in November, reaching a record monthly high of $60.3 billion. The most troubling aspect of the November trade data was a surprising weakening in exports, which declined 2.3% despite a falling U.S. dollar. Real goods exports were even weaker, with export volumes down 4% on a broad basis, suggesting a softening in global demand. The news ended the recent rally of the U.S. dollar, with most currencies (including the Canadian dollar) rising against the greenback this week.

The Canadian dollar was also supported by a large increase in Canada's trade surplus, which rose to $7.3 billion in November. However, the improvement in Canada's trade balance was due entirely to a 10.2% drop in imports. Exports declined for the fifth month in a row (-2.9%), providing further evidence of fallout from the higher Canadian dollar.

Alberta's housing and construction sectors continue to show considerable strength.

Cdn Dollar (C¢/US$)

Jan 14, 2004	81.9¢
Jan 7, 2004	81.0¢
2004-05 YTD	77.5¢

WTI Oil $US/bbl

Jan 13, 2004	$48.04
Jan 6, 2004	$45.56
2004-05 YTD	$43.50

Nymex Natural Gas C$/mcf*

February Contract

Jan 14, 2004	$7.75
Jan 7, 2004	$7.35

*Estimate based on Nymex Futures Market Price

In December, housing starts remained at near-record levels (an annual pace of 39,100). The outlook for the construction sector also remains strong, as the value of Alberta building permits rose by over 20 percent in November.

Oil prices continued to rally this week amid concerns about tightening supplies. Production snags in the North Sea and Iraq provided the main impetus for rising prices.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Canadian International Merchandise Trade ($ millions)	November			
Exports	34,706	-2.9%	8.6%	6.8%
Imports	27,410	-10.2%	-1.5%	4.5%
Trade Balance	7,296	40.1%	76.6%	20.4%
Housing Starts (SAAR)[2]	December			
Alberta	39,100	-5.1%	14.3%	-0.7%
Canada	234,400	-3.4%	6.8%	5.9%
Building Permits ($ millions)	November			
Alberta	764.9	21.0%	42.9%	7.5%
Canada	5,002.4	9.3%	20.3%	9.0%
New Motor Vehicle Sales (# of vehicles)	October			
Alberta	17,043	-1.8%	7.4%	-1.2%
Canada	131,978	-3.1%	2.0%	-4.5%

Source: Statistics Canada

[1] *Year-to-date 2004 compared to the same time period in 2003. For example: January-November 2004 versus January-November 2003*

[2] *Seasonally Adjusted at Annual Rates*